

Fairfax County Economic Index

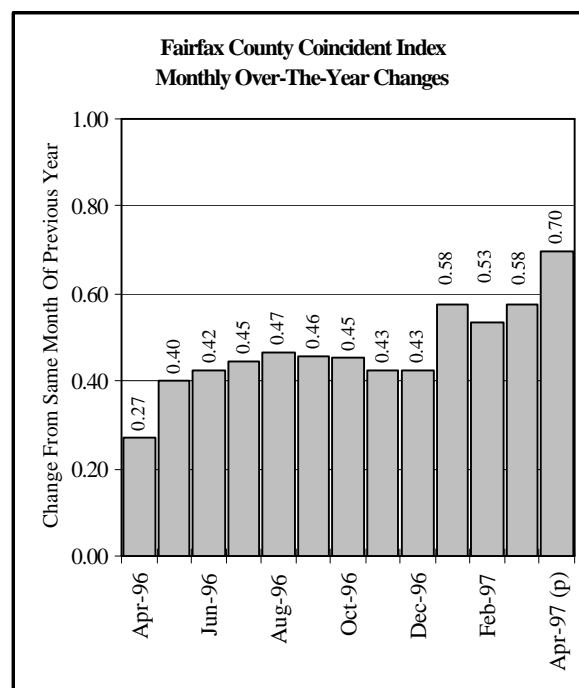
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ECONOMIC EXPANSION ACCELERATES OUTLOOK REMAINS GOOD

The **Fairfax County Coincident Index**, which represents the current state of the County's economy, increased 0.13 percent in April doubling its gain in March. Over the previous 12 months, the Index has increased nine times gaining a total of 0.69 percentage points. The County's economy has steadily become stronger since the first quarter of 1996. In April, three of the Index's four components were positive.

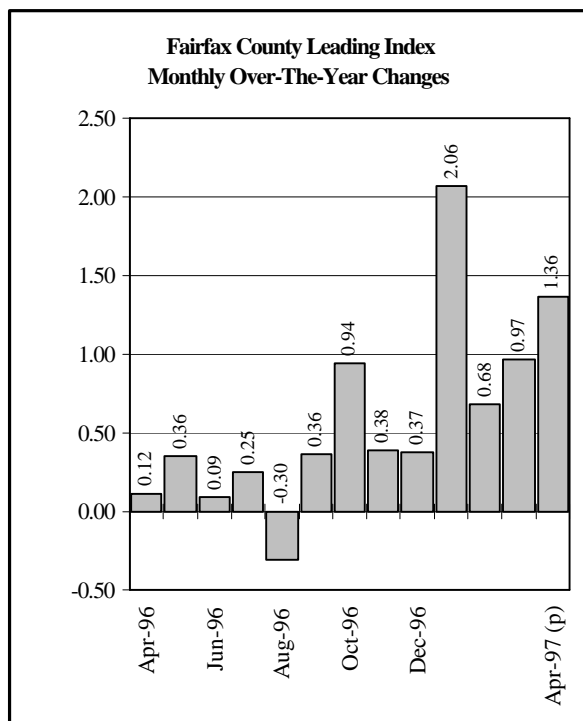
- Total employment increased 0.32 percent on a seasonally adjusted basis in April and has now been up 11 of the last 12 months; for the year, employment has increased 4.36 percent compared to 2.2 percent nationwide;
- Transient occupancy tax collections were up 7.79 percent after slipping slightly in March and have increased 20.1 percent (adjusted for inflation) over the past 12 months;
- Sales tax receipts increased for a second month and were up 24.5 percent over April 1996 (adjusted for inflation), due in part to a large retailer making two payments; while
- Consumer confidence decreased slightly for the third time since the start of the year.



Source: GMU Center for Regional Analysis.

We are on the web at:

www.co.fairfax.va.us/comm/econind.htm



Source: GMU Center for Regional Analysis.

The **Fairfax County Leading Index**, which is designed to forecast the performance of the County's economy 9 to 12 months in advance, increased 0.16 percent in April after gaining a revised 0.01 percent in March. For the year-to-date, the Index has been positive in three of four months and, over the past 12 months, has gained 1.36 percentage points. In April, only two of the Index's five components contributed to its gain.

- New automobile registrations gained sharply in April off-setting two months of decline; and
- Residential building permits were up sharply after decreasing in each of the year's first three months; while
- Initial claims for unemployment insurance increased (worsened) following three months of improvement;
- Consumer expectations (consumer confidence six months hence) declined for a second month; and

- The mean value of residential building permits declined slightly for the first time this year.

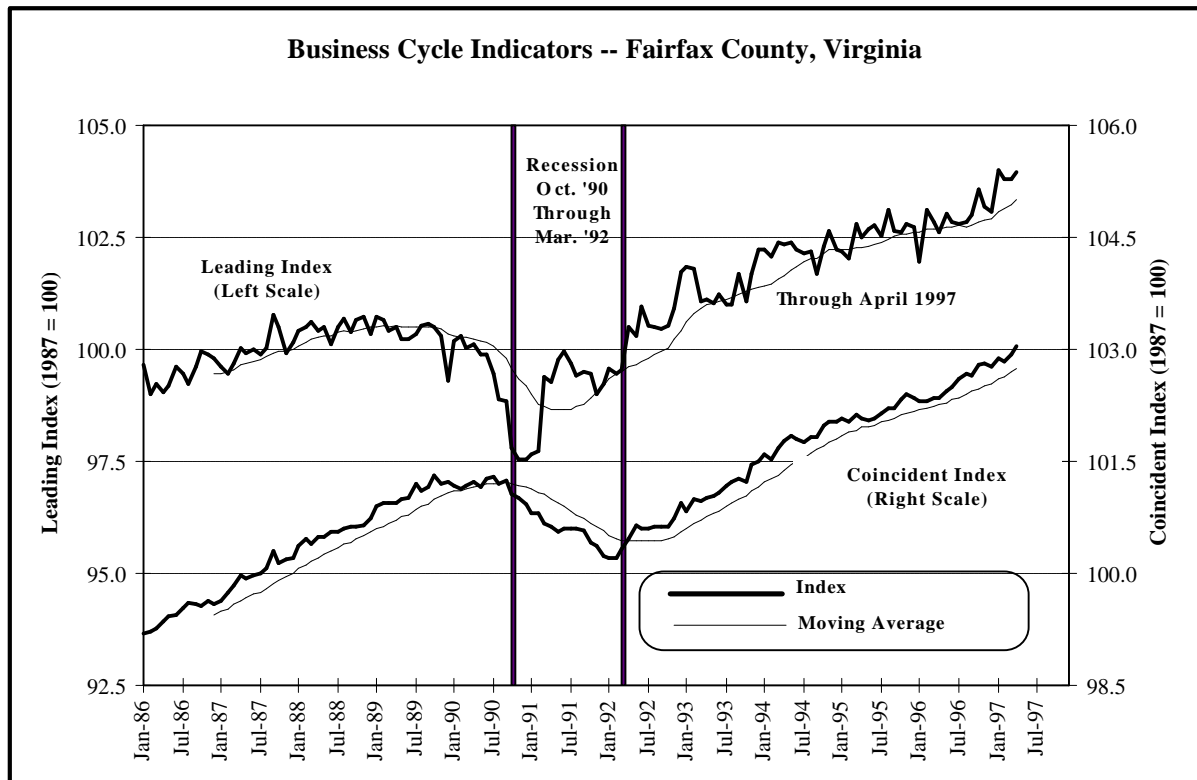
CURRENT CONDITIONS

The performance of the Fairfax County economy in April shows no apparent impact from the Federal Reserve Board's one-quarter point interest rate increase on March 25. In fact, the interest rate sensitive indicators, such as new automobile registrations and residential building permits, have had their best performance in six months. The underlying strength of the economy is also apparent in the 8.8 percent increase in retail sales in spite of some moderation in consumer confidence.

The strength of the County's economy is easily seen in the positive trend of the Coincident Index. On a monthly over-the-year basis, the annual gains show a consistent pattern of increase in 1996 following the first quarter, which was negatively impacted by severe winter weather and economic uncertainties generated by the federal budget impasse. For subsequent three-quarters of the year, the economy improved each month by almost identical amounts. In 1997, the over-the-year gains have out-performed last year's trend reflecting both the comparative weakness of the first four months in 1996 as well as the increasing strength of the County's economy. After more than five years of expansion, the County's economy appears to be accelerating again just as it had in the period immediately following the end of the recession in early 1992.

NEAR-TERM OUTLOOK

This pattern of performance will likely moderate over the summer months following the normal seasonal pattern. Additionally, the national economy appears to be slowing considerably after gaining 5.6 percent during the first quarter. Estimates for the second quarter are for the growth rate to drop to 2.5 percent. This slowdown at the national level and the natural constraints to sustained rapid growth within the County will likely bring the local economy to a more sustainable pace by mid-year.



Source: GMU Center for Regional Analysis.

Signs of moderation are not yet apparent in the Leading Index with monthly over-the-year gains being greater so far this year than in all but one month over all of 1996. However, the Leading Index is not as strong as it appears in aggregate. April's strong over-the-year gain is not built on broad-based gains in the indicators. Rather, the unusually large gains in several indicators have overshadowed growing weaknesses. The drop in mean value of residential building permits and decline in consumer confidence and expectations, while not seriously threatening the economy's performance, do suggest that its future gains may moderate. Also, labor force availability is a continuing problem with unemployment holding at 2.4 percent (seasonally adjusted), job growth is not able to fulfill total demand. With April's initial claims for unemployment insurance increasing for the first time this year, this problem may have eased slightly.

If the County's economy is going to sustain its strong performance over the remainder of the year, continued job growth will be essential. Fairfax County has accounted for approximately half of all job gains in

Northern Virginia during the past five years but there are signs that this rapid pace of job growth is slowing. Monthly over-the-year job gains have moderated slightly since last year and this pattern over the coming several months will provide the best clue regarding the economy's ability to sustain the current level of performance.

IMPACT ON COUNTY REVENUES

The correlation between the Index and changes in County revenues is not direct. In fact, while the County's economy, as measured by the Coincident Index, is experiencing an expansion, County government revenue sources are expected to continue to experience moderate growth. For example, Current Real Estate Tax revenues which account for over 51 percent of total General Fund revenues are impacted by home sales. Recent indications of sales activity reflect an increase in the volume of sales, yet a reduction in price. This trend will likely suppress significant increases in property values and tax receipts.

Fairfax County, Virginia Economic Indicators Current and Previous Months

Economic Indicator	Estimates			Percent Change	
	Apr-97 Prelim.	Mar-97 Final	Apr-96 Final	Mar-97 to Apr-97	Apr-96 to Apr-97
Fairfax County Business Cycle Indicators					
Coincident Index (1987 = 100)	103.05	102.92	102.36	0.13	0.68
Leading Index (1987 = 100)	103.97	103.80	102.61	0.16	1.33
Fairfax County Coincident Index Components					
Total Covered Employment (Seasonally Adjusted)	443,246	441,830	424,756	0.32	4.35
<i>Total Covered Employment (Unadjusted)</i>	<i>439,718</i>	<i>439,219</i>	<i>421,375</i>	<i>0.11</i>	<i>4.35</i>
Transient Occupancy Tax (\$'000='87, Smoothed, Seasonally Adjusted)	277.7	257.6	231.2	7.79	20.13
<i>Transient Occupancy Tax (\$'000=Current, Smoothed Only)</i>	<i>371.4</i>	<i>346.8</i>	<i>302.9</i>	<i>7.09</i>	<i>22.62</i>
Sales Tax Receipts (\$'000='87, Seasonally Adjusted)	7,030.3	6,461.9	5,645.8	8.80	24.52
<i>Sales Tax Receipts (\$'000=Current, Unadjusted)</i>	<i>8,641.1</i>	<i>7,642.3</i>	<i>6,884.6</i>	<i>13.07</i>	<i>25.51</i>
South Atlantic Consumer Confidence	152.6	154.6	131.8	-1.29	15.78
Fairfax County Leading Index Components					
New Automobile Registrations (Seasonally Adjusted)	5,702	4,450	4,616	28.14	23.53
<i>Automobile Registrations (Unadjusted)</i>	<i>5,606</i>	<i>4,522</i>	<i>4,538</i>	<i>23.97</i>	<i>23.53</i>
Initial Unemployment Claims (Seasonally Adjusted)	840	727	1,041	15.59	-19.30
<i>Initial Unemployment Claims (Unadjusted)</i>	<i>832</i>	<i>796</i>	<i>1,031</i>	<i>4.52</i>	<i>-19.30</i>
South Atlantic Consumer Expectations	100.8	109.7	95.9	-8.11	5.11
Residential Building Permits (Number of Units, Seasonally Adjusted)	557	319	578	74.67	-3.65
<i>Residential Building Permits (Number of Units, Unadjusted)</i>	<i>581</i>	<i>383</i>	<i>603</i>	<i>51.70</i>	<i>-3.65</i>
Average Residential Building Permit Value (\$='87 Per Unit, Seasonally Adjusted)	76,532	82,383	67,426	-7.10	13.51
<i>Average Residential Building Permit Value (\$=Current Per Unit, Unadjusted)</i>	<i>105,814</i>	<i>105,102</i>	<i>92,939</i>	<i>0.68</i>	<i>13.85</i>
Fairfax County Labor Force					
Total Labor Force (Seasonally Adjusted)	527,798	527,068	#N/A	0.14	#N/A
<i>Total Labor Force (Unadjusted)</i>	<i>526,954</i>	<i>524,454</i>	<i>#N/A</i>	<i>0.48</i>	<i>#N/A</i>
Unemployment Rate (Percent, Seasonally Adjusted)	2.39	2.31	#N/A	--	--
<i>Unemployment Rate (Percent, Unadjusted)</i>	<i>2.20</i>	<i>2.21</i>	<i>#N/A</i>	<i>--</i>	<i>--</i>

Notes: All components included in the indices are seasonally adjusted. In addition, those expressed in dollar value (Average Building Permit Value, Transient Occupancy Tax, and Sales Tax) are expressed in constant 1987 dollars. Initial Claims are inverted prior to inclusion in the Leading Index; that is, an increase in claims results in a decrease in the index and visa versa. Because of its quarterly collection schedule, the Transient Occupancy Tax is smoothed. Unadjusted data (*italics*) and Fairfax County Labor Force data are not included in either index, but are shown for informational purposes. All percent changes are calculated from unrounded data.

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